The Lincoln Park Zoological Society

Financial Report
March 31, 2015

Contents

Plante & Moran, PLLC
10 South Riverside Plaza
9th floor
Chicago, IL 60606
Tel: 312.207.1040
Fax: 312.207.1066
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
The Lincoln Park Zoological Society

We have audited the accompanying financial statements of The Lincoln Park Zoological Society (an Illinois corporation, organized not-for-profit) (the "Society"), which comprise the statement of financial position as of March 31, 2015 and 2014 and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Trustees
The Lincoln Park Zoological Society

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Lincoln Park Zoological Society as of March 31, 2015 and 2014 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

June 9, 2015

The Lincoln Park Zoological Society

Statement of Financial Position

	March 31, 2015	March 31, 2014
Assets		
Cash	$ 11,965,685	$ 5,919,580
Investments	98,445,368	90,231,272
Investments - Other	8,421,053	6,430,459
Receivables:		
Pledges and grants - Net	37,844,482	38,614,379
Other	212,653	130,292
Inventories	434,494	468,473
Other assets	554,254	632,560
Property and equipment - Net	1,511,138	1,529,083
Total assets	**$ 159,389,127**	**$ 143,956,098**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 2,582,922	$ 2,915,818
Annuities payable	221,160	225,024
Accrued compensation	830,693	708,785
Deferred revenue	652,698	676,996
Accrued expenses - Other	374,749	234,012
Commercial paper	55,000,000	43,301,976
Total liabilities	59,662,222	48,062,611
Net Assets		
Unrestricted	40,910,791	39,672,234
Temporarily restricted	25,341,632	22,822,194
Permanently restricted	33,474,482	33,399,059
Total net assets	99,726,905	95,893,487
Total liabilities and net assets	**$ 159,389,127**	**$ 143,956,098**

See Notes to Financial Statements.

Statement of Activities and Changes in Net Assets

	Year Ended							
	March 31, 2015				March 31, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains, and Other Support								
Contributions, grants, and development	$ 14,996,033	$ 5,315,168	$ 75,423	$ 20,386,624	$ 10,789,934	$ 6,861,905	$ 5,680,094	$ 23,331,933
Membership dues and activities	1,348,120	-	-	1,348,120	1,351,082	-	-	1,351,082
Events revenue	2,287,168	-	-	2,287,168	1,997,061	-	-	1,997,061
Visitor services	7,136,106	-	-	7,136,106	6,445,136	-	-	6,445,136
Chicago Park District subsidy	5,590,000	-	-	5,590,000	5,631,666	-	-	5,631,666
Facility rental revenue	1,151,297	-	-	1,151,297	1,257,804	-	-	1,257,804
Investment income	3,315,374	2,734,999	-	6,050,373	5,958,834	4,940,982	-	10,899,816
Other income	1,115,554	-	-	1,115,554	1,008,316	-	-	1,008,316
Net assets released from restrictions	5,155,729	(5,155,729)	-	-	3,904,585	(3,904,585)	-	-
Total revenue, gains, and other support	42,095,381	2,894,438	75,423	45,065,242	38,344,418	7,898,302	5,680,094	51,922,814
Expenses								
Program services:								
Animal collection and conservation	9,149,565	-	-	9,149,565	8,724,271	-	-	8,724,271
Public education	3,080,957	-	-	3,080,957	3,144,246	-	-	3,144,246
Membership	522,714	-	-	522,714	569,192	-	-	569,192
Visitor services	2,322,192	-	-	2,322,192	2,353,506	-	-	2,353,506
Events	1,656,706	-	-	1,656,706	1,632,843	-	-	1,632,843
Facility rental	294,284	-	-	294,284	277,751	-	-	277,751
Buildings and grounds	4,209,243	-	-	4,209,243	4,277,310	-	-	4,277,310
Construction	15,069,321	-	-	15,069,321	5,307,990	-	-	5,307,990
Total program service expenses	36,304,982	-	-	36,304,982	26,287,109	-	-	26,287,109
Administration	2,363,490	-	-	2,363,490	2,291,668	-	-	2,291,668
Fundraising and development	1,850,636	-	-	1,850,636	1,717,321	-	-	1,717,321
Debt service	337,716	-	-	337,716	385,697	-	-	385,697
Total expenses	40,856,824	-	-	40,856,824	30,681,795	-	-	30,681,795
Change in Net Assets Before Write-off of Pledges Receivable	1,238,557	2,894,438	75,423	4,208,418	7,662,623	7,898,302	5,680,094	21,241,019
Write-off of Pledges Receivable	-	(375,000)	-	(375,000)	-	(388,000)	(5,000)	(393,000)
Change in Net Assets	1,238,557	2,519,438	75,423	3,833,418	7,662,623	7,510,302	5,675,094	20,848,019
Transfer of Temporarily Restricted to Unrestricted	-	-	-	-	14,612,000	(14,612,000)	-	-
Net Assets - Beginning of year	39,672,234	22,822,194	33,399,059	95,893,487	17,397,611	29,923,892	27,723,965	75,045,468
Net Assets - End of year	**$ 40,910,791**	**$ 25,341,632**	**$ 33,474,482**	**$ 99,726,905**	**$ 39,672,234**	**$ 22,822,194**	**$ 33,399,059**	**$ 95,893,487**

See Notes to Financial Statements.

The Lincoln Park Zoological Society

Statement of Cash Flows

	Year Ended March 31, 2015	Year Ended March 31, 2014
Cash Flows from Operating Activities		
Increase in net assets	$ 3,833,418	$ 20,848,019
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Realized and unrealized gain on investments	(4,787,964)	(9,764,225)
Bad debt expense	375,000	393,000
Depreciation and amortization	255,208	231,078
Permanently restricted contributions	(75,423)	(5,680,094)
Changes in operating assets and liabilities which (used) provided cash:		
Receivables	(678,776)	(5,900,610)
Inventories	33,979	(33,698)
Other assets	78,306	101,010
Accounts payable and accrued expenses	(87,596)	1,273,540
Annuity payable	(3,864)	6,393
Deferred revenue	(24,298)	52,496
Net cash (used in) provided by operating activities	(1,082,010)	1,526,909
Cash Flows from Investing Activities		
Purchases of investments	(4,440,379)	(2,093,120)
Sale of investments	993,327	6,261,516
Purchases of money market funds	(2,049,760)	(4,559,372)
Sale of money market funds	59,166	69,708
Capital expenditures	(237,263)	(517,520)
Net cash used in investing activities	(5,674,909)	(838,788)
Cash Flows from Financing Activities		
Permanently restricted contributions	1,105,000	214,166
Issuance of commercial paper	11,698,024	3,301,976
Net cash provided by financing activities	12,803,024	3,516,142
Net Increase in Cash	6,046,105	4,204,263
Cash - Beginning of year	5,919,580	1,715,317
Cash - End of year	**$ 11,965,685**	**$ 5,919,580**
Supplemental Disclosure of Cash Flow Information - Cash paid for interest and related fees	**$ 401,864**	**$ 302,752**

Note 1 - Nature of Business and Significant Accounting Policies

The Lincoln Park Zoological Society (the "Society") was formed to aid in the improvement, maintenance, and operation of Lincoln Park Zoological Gardens (the "Zoo"), located in Chicago, Illinois. The Zoo site and buildings are owned by the Chicago Park District (the "Park District") and are occupied by the Society without charge. The Society provides funding and operational support for building, grounds and exhibition improvements and the development and operation of educational, conservation, research, and other operating programs. In addition, the Society operates the visitor services at the zoo.

Effective January 1, 1995, the Park District and the Society entered into a privatization agreement, which gives the Society complete responsibility for the financial and operational management of the Zoo. The agreement, which expires on December 31, 2024, provides for the Park District to pay for one-half of designated construction, an annual base subsidy of $5,590,000, and an extra subsidy.

The agreement also transferred the rights to parking concession income to the Society. Revenues from such concessions are designated for the operation and maintenance of the zoo facilities and related capital expenditures.

Basis of Presentation

Classification of Net Assets - The Society's net assets have been grouped into the following three classes:

<u>Unrestricted</u> - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the board of trustees or may otherwise be limited by contractual agreements with outside parties.

<u>Temporarily Restricted</u> - Net assets whose use by the Society is subject to donor-imposed stipulations that can be fulfilled by actions of the Society pursuant to those stipulations or that expire by the passage of time.

<u>Permanently Restricted</u> - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Society. Generally, the donors of these assets permit the Society to use all or part of the interest and dividends earned on these assets. Such assets primarily include the Society's permanent endowment funds.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. When a donor-imposed restriction expires (i.e., when a stipulated time restriction ends or the purpose of the restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Revenue and Support - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

Facility rental and visitor services revenue, which includes daily food and retail operations, as well as parking are recognized for these activities when the service is delivered.

Tax Status - The Society is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Society and recognize a tax liability if the Society has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Society and has concluded that as of March 31, 2015 and 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Society is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2012.

Contributed Services - The Society records various types of in-kind support including professional services and supplies. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets, (b) require specialized skills, which are provided by individuals possessing those skills, and (c) would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

A substantial number of volunteers have made significant contributions of their time that do not meet the two criteria described above. Accordingly, the value of this donated time is not reflected in the financial statements.

Cash - The Society maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Society has not experienced any losses in such accounts. The Society believes it is not exposed to any significant credit risk on cash.

Investments - The Society's investments are reported at fair value. Investment income, including net realized and unrealized gains, is reflected in the statement of activities and changes in net assets as an increase in net assets. Interest and dividend income is recorded on the accrual basis.

The Society's investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and could materially affect the amounts reported in the statement of financial position.

Investments Other - The balance includes amounts in interest bearing cash accounts at March 31, 2015 and 2014.

Inventories - Merchandise and food inventories are valued at the lower of first-in, first-out (FIFO) cost or market value.

Animal Collection - In connection with the privatization agreement, ownership of the Zoo's animal collection was transferred to the Society. The Society has established a policy of not capitalizing the animal collection. No gains or losses regarding collection transactions are recognized in the financial statements. All expenses regarding collection transactions are reflected in the accompanying statement of activities and changes in net assets.

Property and Equipment - Property and equipment consist of building improvements, equipment and facilities, and furniture and office equipment, which are stated at cost. Donated property is recorded at fair value when received. Depreciation is computed over the estimated useful lives of the assets as indicated in Note 5 using the straight-line method. The Society's policy is to capitalize all purchases of property and equipment over $10,000 with an estimated useful life of three years.

Financial Instruments - The Society's financial instruments consist of cash, pledges and accounts receivables, investments, accounts payable, accrued expenses, and bonds payable.

Investments are carried at fair value as disclosed in Note 2.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

The bonds are recorded at cost. The carrying value of the bonds is based on weekly remarketing of the interest rates and approximates its fair value as of March 31, 2015 and 2014. For the remaining financial instruments other than pledges receivable, the carrying value is a reasonable estimate of fair value because of the short-term nature of the financial instruments. The fair values of the Society's pledges receivable are estimated based on the current interest rates and the period of collectibility. These financial instruments would have been classified as a Level 2 input if they had been included in the fair value measurements table in Note 2.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses - The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including June 9, 2015, which is the date the financial statements were issued.

Note 2 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provides a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Society's assets measured at fair value on a recurring basis at March 31, 2015 and 2014, and the valuation techniques used by the Society to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Society has the ability to access.

Note 2 - Fair Value Measurements (Continued)

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Society's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Assets Measured at Fair Value on a Recurring Basis at March 31, 2015

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2015
Investments:				
Money market funds	$ 232,535	$ -	$ -	$ 232,535
Western Asset Intermediate Bond Fund	3,766,147	-	-	3,766,147
Templeton Foreign Small Company Fund	2,567,509	-	-	2,567,509
Dimensional Fund	2,157,652	-	-	2,157,652
Vanguard Short-Term Investment Grade Fund	2,011,448	-	-	2,011,448
TCW Emerging Markets Local Income Fund	1,607,293	-	-	1,607,293
Baillie Gifford Harbor Fund	3,916,327	-	-	3,916,327
Equity mutual funds:				
Small cap mutual fund	4,030,084	-	-	4,030,084
International stock fund	5,118,458	-	-	5,118,458
Hedge funds	-	33,281,753	4,113,865	37,395,618
Bank common trust funds	-	35,642,297	-	35,642,297
Total investments	$ 25,407,453	$ 68,924,050	$ 4,113,865	$ 98,445,368

Note 2 - Fair Value Measurements (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis at March 31, 2014

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2014
Investments:				
Money market funds	$ 200,059	$ -	$ -	$ 200,059
Western Asset Intermediate Bond Fund	3,066,489	-	-	3,066,489
Templeton Foreign Small Company Fund	2,620,338	-	-	2,620,338
PIMCO Low Duration - Bond Fund	1,990,375	-	-	1,990,375
PIMCO Emerging Markets - Bond Fund	1,803,048	-	-	1,803,048
Dimensional Fund	2,067,296	-	-	2,067,296
Equity mutual funds:				
Small Cap	3,555,338	-	-	3,555,338
International stock fund	5,159,285	-	-	5,159,285
Collective trusts - Equity	-	3,932,090	-	3,932,090
Hedge funds	-	29,951,293	4,096,574	34,047,867
Bank common trust funds	-	31,789,087	-	31,789,087
Total investments	$ 20,462,228	$ 65,672,470	$ 4,096,574	$ 90,231,272

The Society's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the beginning of the reporting period in which the circumstances that caused the transfer occurred.

During the years ended March 31, 2015 and 2014, there were no such transfers.

Investments in Entities that Calculate Net Asset Value per Share

The Society holds shares or interests in investment companies at year end where the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

Certain investments measured at net asset value per share (or equivalent) are classified within Level 2 of the fair value hierarchy as the investment can be redeemed at, or within 90 days of the measurement date. If the investment holdings cannot be redeemed at, or within 90 days of the measurement date, due to redemption restrictions of other factors, then the investment is classified within Level 3 of the fair value hierarchy.

Note 2 - Fair Value Measurements (Continued)

At year end, the fair value, unfunded commitments, and redemption rules of those investments is as follows:

	March 31, 2015	March 31, 2014	March 31, 2015		
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Diversified International Equity collective trust (a)	$ -	$ 3,932,090	$ -	Monthly	30 Days
Hedge funds:	-	-	-		
Long only United States Equity hedge funds (b)	3,785,625	3,538,828	-	Quarterly	30 Days
Equity long/short hedge funds (c)	11,198,653	9,567,186	-	Quarterly	30 - 60 Days
Directional hedge funds (d)	3,775,429	3,735,465	-	Quarterly	30 Days
Directional hedge funds (d)	4,113,865	4,096,574	-	Biennially	90 Days
Low volatility hedge funds (e)	10,708,419	9,732,132	-	Quarterly	30 - 90 Days
Multistrategy macro hedge funds (f)	3,813,627	3,377,682	-	Quarterly	30 Days
Bank common trust funds (g):	-	-	-		
Northern Trust S&P 500	25,553,640	22,169,232	-	Daily	N/A
Northern Trust All Country World	3,725,628	3,516,860	-	Daily	N/A
JPMorgan Investment Bond Fund	6,363,029	6,102,995	-	Daily	N/A
Total	$73,037,915	$69,769,044	$ -		

a. Diversified International Equity: These managers will typically invest at least 80 percent of equities outside the U.S., with funds invested over a broad array of countries. These managers use fundamental and quantitative analysis to find undervalued and attractive international opportunities. These managers will hedge currency exposure within the portfolio based on their points of view regarding the appreciation or depreciation of specific currencies with the portfolio.

b. Long only United States Equity: These managers will typically invest at least 80 percent in U.S.-domiciled equities. These managers use fundamental and quantitative analysis to find undervalued and attractive opportunities. These managers will not use leverage in their portfolios.

c. Equity Long/Short: These managers typically maintain portfolios with exposure between a 100 percent to 160 percent net long and 30 percent to 70 percent net short. The securities held in the portfolio will vary along the market capitalization spectrum with a bias to large cap companies. These investment managers will invest in global equities, typically with a North American bias in the portfolio. All of these portfolios will maintain exposure to credit when attractive opportunities become available. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors.

Note 2 - Fair Value Measurements (Continued)

d. Directional: The directional strategies are comprised of managers with higher expected returns and portfolio risk; the strategies will be part of the capital appreciation allocation in the total portfolio. The strategies will generally have an equity bias, as many of the underlying managers have dedicated equity long/short mandates. Other hedge fund strategies in the portfolio include event-driven equities and credit, merger arbitrage, long/short corporate credit, distressed credit, structured credit, and capital structure arbitrage. The investment managers will generally use fundamental analysis to uncover attractive investment opportunities. These managers typically maintain portfolios with higher net long exposures. The managers' regional allocations will be diversified globally with a focus in the U.S., Europe, Asia, and some select emerging markets. One hedge fund included in the directional strategies has a rolling two-year lockup.

e. Low Volatility: The low volatility strategies are comprised of managers with lower expected returns and portfolio risk; the strategies will be part of the capital preservation allocation in the total portfolio. These strategies are expected to be less correlated to the broader markets and provide consistent long-term returns. The strategies will tend to have a market neutral and relative value tilt, as many of the underlying managers will seek to isolate alpha while either directly or indirectly hedging market risk. Other hedge fund strategies in the portfolio will include corporate credit, liquid distressed credit, merger arbitrage, convertible arbitrage, structured credit, and capital structure arbitrage. These managers typically maintain portfolios with lower net long exposures given the underlying strategies employed. The managers' regional allocations will be diversified globally with a focus in the U.S., Europe, Asia, and some select emerging markets.

f. Multistrategy Macro: Multistrategy macro hedge funds will take long and short positions in various securities based on top-down economic or political views. The fund will allocate to both discretionary trading and systematic quantitative based strategies. The correlations of the underlying strategies tend to be low, which has led to low volatility at the portfolio level and performance that has historically been uncorrelated to the broad market. The discretionary strategies in the portfolio include trading interest rates, currency, and sovereign credit in both developed and emerging markets, thematic fixed income, liquid distressed credit, and trade finance. The systematic strategies include trend following and statistical arbitrage. The fund's regional allocations will be diversified globally with a focus in the U.S., Europe, Asia, Australia, and some select emerging markets.

g. Bank Common Trust Funds: The bank common trust funds, which are held at The Northern Trust Company, are described below.

   NTGI-QM Common Daily S&P 500 Equity Index Fund - Lending: The primary objective of this fund is to approximate the risk and return characteristics of the S&P 500 index. This index is commonly used to represent the large cap segment of the U.S. equity market. This fund may participate in securities lending.

   NTGI-QM Common Daily All Country World ex U.S. Equity Index Fund - Lending: The primary objective of this fund is to approximate the risk and return characteristics of the MSCI ACWI ex US index. This index is commonly used to represent the performance of non-U.S. emerging and developed markets. This fund may participate in securities lending.

Note 2 - Fair Value Measurements (Continued)

The bank common trust funds, which are held at JPMorgan Chase, are described below.

Investment Bond Fund (JPMorgan): This investment manager uses a bottom-up value-oriented approach to selecting fixed-income securities. The fund will have an average maturity between four to six years. The fund's duration will usually be within 10 percent of Barclays Intermediate Government/Credit Index. Sector allocations will generally fall in the following ranges: Treasuries - 15 percent to 40 percent, corporate/asset-backed - 15 percent to 40 percent, and mortgage-backed/agency - 40 percent to 60 percent. The manager will only invest in investment grade securities at the time of purchase.

The following table presents a reconciliation of the beginning and ending balances recorded for instruments classified as Level 3 in the fair value hierarchy as of March 31, 2015 and 2014:

	2015	2014
Balance - Beginning of year	$ 4,096,574	$ -
Purchases	-	3,700,000
Total gains (realized and unrealized) included in change in net assets	17,291	396,574
Total	$ 4,113,865	$ 4,096,574

Note 3 - Investments

Investments as of March 31, 2015 and 2014 were as follows:

	2015	2014
Diversified assets - Money market	$ 232,535	$ 200,059
Short- and intermediate-term government bonds:		
Western Asset Intermediate Bond Fund	3,766,147	3,066,489
Templeton Foreign Small Company Fund	2,567,509	2,620,338
PIMCO Low Duration - Bond Fund	-	1,990,375
PIMCO Emerging Markets - Bond fund	-	1,803,048
Dimensional fund	2,157,652	2,067,296
Vanguard Short-Term Investment Grade Fund	2,011,448	-
TCW Emerging Markets Local Income Fund	1,607,293	-
Baillie Gifford Harbor Fund	3,916,327	-
Equity mutual funds	9,148,542	8,714,623
Collective Trusts - Equity	-	3,932,090
Hedge Funds	37,395,618	34,047,867
Bank common trust funds:		
Northern Trust S&P 500	25,553,640	22,169,232
Northern Trust All Country World	3,725,628	3,516,860
JPMorgan Investment Bond Fund	6,363,029	6,102,995
Total investments at fair value	$ 98,445,368	$ 90,231,272
Total investments at cost	$ 78,379,794	$ 71,355,447

The components of investment income for the years ended March 31, 2015 and 2014 are as follows:

	2015	2014
Unrestricted:		
Interest and dividends	$ 708,272	$ 655,025
Realized and unrealized gains	2,606,960	5,303,809
Temporarily restricted:		
Interest and dividends	553,995	480,566
Realized and unrealized gains	2,181,004	4,460,416
Total	$ 6,050,231	$ 10,899,816

Total investment expenses were $74,436 and $79,227 for the years ended March 31, 2015 and 2014, respectively.

Note 4 - Pledges and Grants Receivable

Pledges and grants receivable as of March 31 are expected to be collected in the following periods:

	2015	2014
Pledges and grants receivable:		
Within one year	$ 486,382	$ 867,728
One to five years	28,710,922	27,450,118
Five to nine years	12,003,000	14,292,000
Total	41,200,304	42,609,846
Less discounts	(3,355,822)	(3,995,467)
Net pledges and grants receivable	$ 37,844,482	$ 38,614,379

Pledges and grants receivable are adjusted to present value using discount rates between .13 percent and 3.35 percent.

Note 5 - Property and Equipment

The cost of property and equipment is summarized as follows:

	2015	2014	Depreciable Life - Years
Building improvements	$ 2,030,227	$ 1,950,697	3-32
Equipment and facilities	1,336,296	1,183,199	3-10
Furniture and office equipment	62,483	62,483	3-7
Total cost	3,429,006	3,196,379	
Less accumulated depreciation	(1,917,868)	(1,667,296)	
Net carrying amount	$ 1,511,138	$ 1,529,083	

Depreciation expense was $255,208 for 2015 and $231,078 for 2014.

Note 6 - Commercial Paper

In connection with the Commercial Paper Revenue Notes Pooled Financing Program of the Illinois Educational Facilities Authority (the “Authority”), $23,300,000 was made available to the Society pursuant to the terms and provisions of the security agreement under a Trust Indenture (the "Indenture"), dated November 1, 1995, between the Authority and JPMorgan Chase & Company (JPMorgan), as trustee (the “Trustee”). In connection therewith, the Society issued a promissory note, dated November 30, 1995, with the principal amount not to exceed $20,000,000 at any one time outstanding under the security agreement. An additional $20,000,000 was made available to the Society pursuant to the terms and provisions of the amended security agreement. In connection therewith, the Society issued a promissory note for $10,000,000, dated May 2, 2002, and an additional note for $10,000,000 on December 18, 2003. An additional $15,000,000 was made available to the Society pursuant to the terms and provisions of the amended security agreement. In connection therewith, the Society issued a promissory note for $15,000,000 on November 1, 2013. The total principal amount of all such notes is not to exceed $70,000,000 outstanding at any one time under the agreement. Concurrently with the issuance of the notes, the Society entered into a letter of credit agreement (LOC) issued by The Northern Trust Company pursuant to the terms of the reimbursement agreement in the amount of $56,375,000. The Society is subject to certain covenants relative to, among other things, operating performance measures. The LOC secures the payment of the principal and certain interest payments until November 30, 2017, when it is subject to renegotiation. The LOC is subject to a .40 percent annual fee effective December 1, 2012. Prior to that, the LOC was subject to a .45 percent annual fee.

On November 1, 1995, $9,000,000 was issued. The proceeds were primarily used to (a) finance, including capitalized interest, the acquisition, construction, renovation, and equipping of certain cultural facilities owned or operated by the Society; (b) pay a portion of the interest on the notes; and (c) pay certain costs related to the issuance of the notes and the borrowing by the Society. Pursuant to the promissory note, the principal payment of $9,000,000 is due on November 1, 2025.

On June 30, 1997, an additional $4,935,000 was issued. The proceeds were used to (a) finance, including capitalized interest, the acquisition, construction, renovation and equipping of certain cultural facilities owned or operated by the Society; (b) pay a portion of the interest on the notes; and (c) pay certain costs related to the issuance of the notes and the borrowing by the Society. Pursuant to the promissory note, the principal of $4,935,000 is due on June 1, 2027.

Note 6 - Commercial Paper (Continued)

On November 17, 1998, an additional $6,065,000 was issued. The proceeds were used to (a) finance, including capitalized interest, the construction, renovation, and equipping of certain cultural facilities owned or operated by the Society; (b) pay a portion of the interest on the notes; and (c) pay certain costs related to the issuance of the notes and the borrowing by the Society. Pursuant to the promissory note, the principal of $6,065,000 is due on November 1, 2028.

On May 2, 2002, an additional $10,000,000 was issued. The proceeds were used to (a) finance, including capitalized interest, the construction, renovation, and equipping of certain cultural facilities owned or operated by the Society; (b) pay a portion of the interest on the notes; and (c) pay certain costs related to the issuance of the notes and the borrowing by the Society. Pursuant to the promissory note, the principal of $10,000,000 is due on May 1, 2032.

On December 18, 2003, an additional $10,000,000 was issued. The proceeds were used to (a) finance, including capitalized interest, the acquisition, construction, renovation, and equipping of certain cultural facilities owned or operated by the Society; (b) pay a portion of the interest on the notes; and (c) pay certain costs related to the issuance of the notes and the borrowing by the Society. Pursuant to the promissory note, the principal of $10,000,000 is due on May 1, 2032.

On November 1, 2013, an additional $15,000,000 was issued. As of March 31, 2014, the Society had drawn down $3,301,976 of proceeds. As of March 31, 2015, the Society has drawn down $15,000,000 of proceeds. The proceeds were used to (a) finance, including capitalized interest, the acquisition, construction, renovation, and equipping of certain cultural facilities owned or operated by the Society; (b) pay a portion of the interest on the notes; and (c) pay certain costs related to the issuance of the notes and the borrowing by the Society. Pursuant to the promissory note, the principal of $15,000,000 is due on November 1, 2043.

The interest rates on the notes are variable and are determined by JPMorgan Chase & Company (JPMorgan) as the remarketing agent and are defined as tax-exempt rates equal to the lowest rates, which in the judgment of JPMorgan, would enable the notes to be remarketed at par plus any accrued interest on the date of issuance of such notes, all in accordance with the terms of the Indenture. The interest rate on the notes issued as of March 31, 2015 ranged from .05 percent to .08 percent. Interest expense for the years ended March 31, 2015 and 2014 was $337,716 and $385,697, respectively.

Note 7 - Net Assets

	2015	2014
Temporarily restricted net assets are available for the following purposes:		
Capital expenditures	$ 3,175,245	$ 1,182,420
Programs and operations expenditures	6,225,273	7,486,957
Endowment appropriations	15,941,114	14,152,817
Total temporary restricted net assets	$ 25,341,632	$ 22,822,194

Amounts included in these restrictions are also included in the pledges receivable balance on the statement of financial position.

	2015	2014
Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes:		
Capital expenditures	$ 454,768	$ 758,052
Programs and operations expenditures	2,254,259	1,971,515
Receipt of cash - Time	1,500,000	-
Endowment appropriations	946,702	1,175,018
Total expenditures	$ 5,155,729	$ 3,904,585

Permanently restricted net assets are restricted to the following:

	2015	2014
Investments in perpetuity, the income from which is expendable to support:		
Animal care	$ 9,569,974	$ 9,569,974
Conservation and science	5,013,822	5,008,822
Education	3,000,000	3,000,000
Horticulture and sculptures	3,425,080	3,425,080
General operations	12,465,606	12,395,183
Total permanently restricted net assets	$ 33,474,482	$ 33,399,059

Note 8 - Donor Restricted Endowments

The Society's endowment consists of 19 individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds only. As required by GAAP, net assets associated with endowment funds are classified and reported based on existences or absences of donor-imposed restrictions.

Note 8 - Donor Restricted and Board Designated Endowments (Continued)

Interpretation of Relevant Law

The board of trustees of the Society has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Society and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Society
(7) The investment policies of the Society

Endowment Net Asset Composition by Type of Fund as of March 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 15,941,114	$ 33,474,482	$ 49,415,596

Note 8 - Donor Restricted and Board Designated Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended March 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	$ -	$ 14,152,817	$ 33,399,059	$ 47,551,876
Investment return:				
Investment income	-	553,995	-	553,995
Net appreciation (realized and unrealized)	-	2,181,004	-	2,181,004
Total investment return	-	2,734,999	-	2,734,999
Contributions	-	-	75,423	75,423
Appropriation of endowment assets for expenditure	-	(946,702)	-	(946,702)
Endowment net assets - End of year	$ -	$ 15,941,114	$ 33,474,482	$ 49,415,596

Endowment Net Asset Composition by Type of Fund as of March 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 14,152,817	$ 33,399,059	$ 47,551,876

Changes in Endowment Net Assets for the Fiscal Year Ended March 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	$ -	$ 10,386,853	$ 27,723,965	$ 38,110,818
Investment return:				
Investment income	-	480,566	-	480,566
Net appreciation (realized and unrealized)	-	4,460,416	-	4,460,416
Total investment return	-	4,940,982	-	4,940,982
Contributions	-	-	5,680,094	5,680,094
Appropriation of endowment assets for expenditure	-	(1,175,018)	-	(1,175,018)
Pledge receivable write-off	-	-	(5,000)	(5,000)
Endowment net assets - End of year	$ -	$ 14,152,817	$ 33,399,059	$ 47,551,876

Note 8 - Donor Restricted and Board Designated Endowments (Continued)

Return Objectives and Risk Parameters

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Society expects its endowment funds, over time, to provide an annual real return of 5 percent, net of inflation and expenses. Actual returns in any given year may vary from this amount.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Society has a policy of appropriating for distribution each year up to 4 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Society considered the long-term expected return on its endowment. Accordingly, over the long term, the Society expects the current spending policy to allow its endowment to grow at an average of 5 percent annually. This is consistent with the Society's objective to provide additional real growth through new gifts and investment return.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Note 9 - Retirement Plan

The Society has a defined contribution employee retirement program under which it makes contributions equal to 3 percent of the eligible participant's salary and also matches participant contributions up to an additional 3 percent of the participant's salary. The Society's contribution for the fiscal years ended March 31, 2015 and 2014 totaled $521,586 and $499,546, respectively.

The Society has established a 457(b) and 457(f) deferred compensation plans for select employees. The Society may make contributions for the benefit of eligible employees; the Society contributed $0 in 2015 and 2014. Balances in the 457(b) and 457(f) plans are subject to forfeiture until age or certain other requirements are met. The assets in the plans are held in trust but remain property of the Society and are subject to the claims of the Society's general creditors. The Society's liability for benefits under this plan is limited to the balance of assets in the plan. As of March 31, 2015 and 2014, total assets of the plan were $232,534 and $200,059, respectively.

Note 10 - Other Cash Flow Information

During the years ended March 31, 2015 and 2014, pledged receivables of $23,265 and $362,117, respectively, were paid by the donation of common stock, which the Society sold as soon as was practical.

Note 11 - Construction Commitments

During 2014, there was a construction project for approximately $12,500,000, paid in full, with no retainer, at March 31, 2015. After year end, the Society entered into a construction project managed by a general contractor with a signed commitment of approximately $17,000,000.